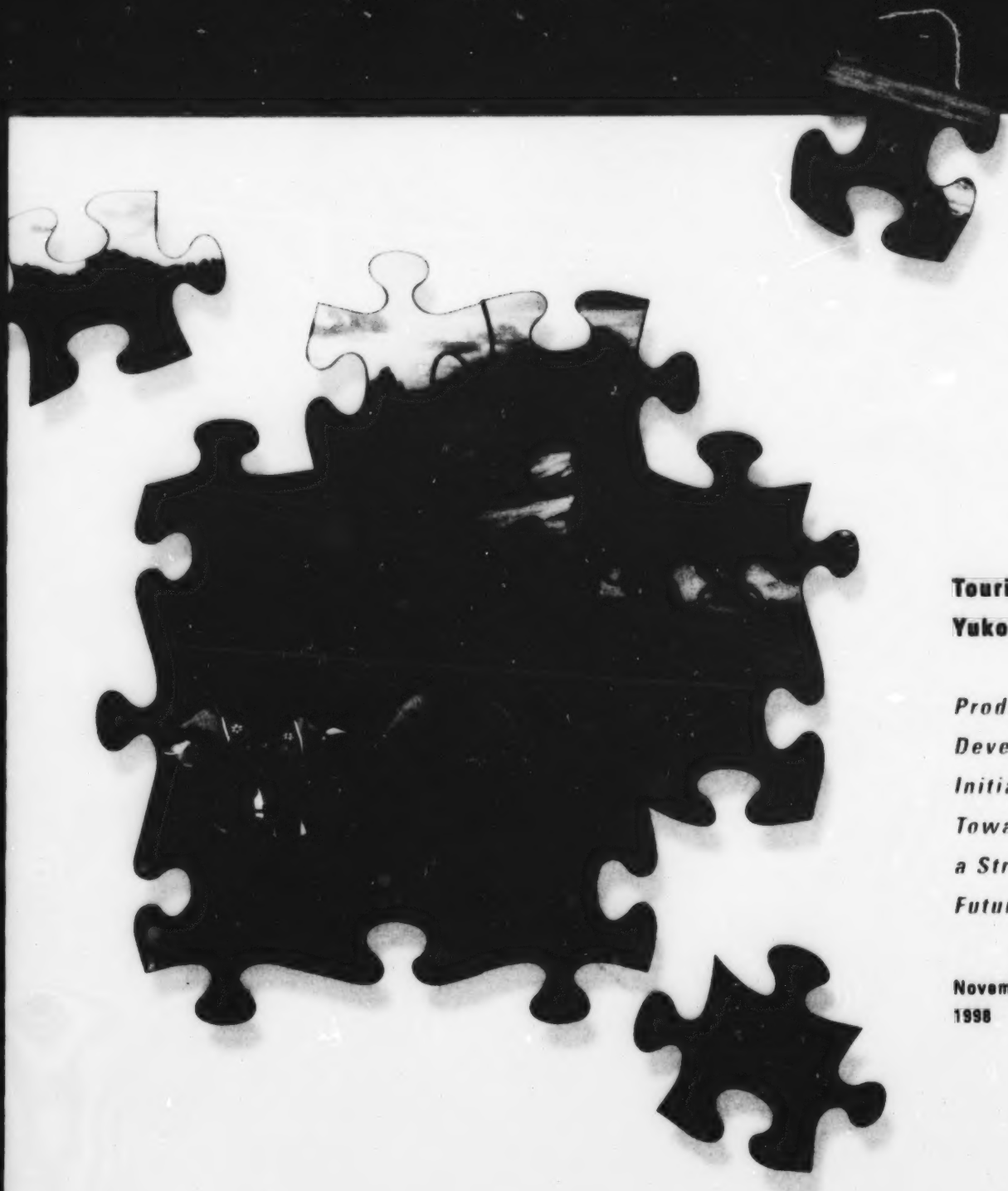
Yukon

THE MAGIC AND THE MYSTERY



Tourism Yukon

Product Development Initiative: Towards a Stronger Future

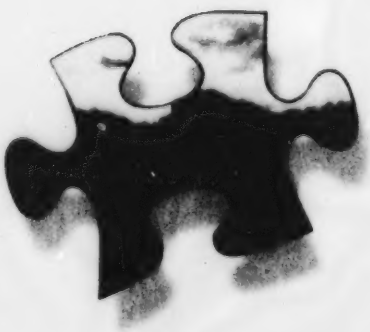
November 1998

executive summary

An assessment of tourism trends suggests that the prospects for continued growth in the Yukon's tourism industry is strong. The Yukon has the tourism products that will be in demand in the first half of the next century: adventure, pristine wilderness, authentic aboriginal tourism and historical product.

However, the growing global tourism industry will attract increasingly sophisticated competition and product development. The Yukon must be ready to compete and the development of Icon product will play a key role in ensuring the Yukon's continuing competitiveness.

The report recommends the government adopt an aggressive strategy aimed at promoting sites in the Yukon for private sector development. The recommendations involve the execution of a disciplined promotional plan to attract investment. It also suggests the development of clear policy with respect to the government's involvement in support areas such as land grants, loan guarantees, tax incentives and other support activities. Finally, it suggests the government clearly signal a serious commitment to this program.



The report warns that the Yukon Territorial Government should be prepared to step in and support product development efforts that may not be immediately financially successful for their private sector investor. It reviews how governments in the Atlantic Provinces, Alberta and British Columbia have had to support product development efforts with financial aid during their development stages. While the report suggests that such interim support will likely be necessary in some cases, it also suggests that product development efforts should be supported despite this potential need.

Product development initiatives will play a key role in ensuring the Yukon Tourism industry's future attractiveness and competitiveness. The Yukon is in need of Icon destination tourism product to enhance its overall tourism offering. Such Icon product will not likely be developed unless the government is involved in promoting specific site opportunities and a general pro-investment climate. They will not likely succeed at the necessary scale without government commitment of financial and other resources in support of these initiatives.

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foreword

Tourism Yukon has undertaken to develop a tourism product development strategy for the Territory. This plan – Towards a Stronger Future – will address the opportunity to assist and facilitate private sector and other organizations in the development of high quality tourism facilities that will help to raise the overall standard of tourism product available in the Yukon.

This plan does not assume that a specific government role – such as direct investment in product development – is necessary. Rather it gives consideration to a variety of approaches and is most concerned with government facilitation of this investment. The specific focus is the development of a strategic program involving government and other support that will efficiently attract and assist investment in Yukon Tourism product that would not otherwise be developed, or that would not be developed in the medium to long term. The objective is to develop a set of guidelines and tactics that will have far reaching impact on long-term tourism revenues for the Territory generally, and on assisting current and potential tourism operators in their product development efforts specifically.

This plan does not assume that a specific government role – such as direct investment in product development – is necessary. Rather it gives consideration to a variety of approaches and is most concerned with government facilitation of this investment.

The plan makes the assumption that, without assistance, the development of high quality products in the Yukon's tourism industry will either not happen at all, or will not happen at the pace required to support the robust development of one of the main pillars of the Yukon's economy. This assumption is made because of the lack of development to date of such projects. The authors are not aware of any such potential development planned at this time.

This report will propose a number of courses of action, recommend a specific approach and determine the government's role, and describe milestones and measurements which will allow the program's effectiveness to be tracked. It will also specifically comment on a number of potential development sites in the Yukon with an assessment of the viability of supporting development of these sites.

project overview and participants

Project Scope

This paper is intended to review courses of action that may be considered by the Yukon Territorial Government (YTG) in order to encourage and/or assist the development of destination tourism properties in the Yukon that will enhance the overall product set available to destination Yukon travellers. It provides recommendations on courses of action for the YTG and sets out specific tactics for the program.

The paper assumes that government encouragement and/or support is required in order to spur development of high quality destination product in the Yukon. As evidence, we accept lack of development of such product to date. No effort has been made to ascertain whether or not there are existing private sector plans to develop high-end resort and destination products; however, the authors and the Department of Tourism are not aware of any such initiatives at present.

The paper assumes that government encouragement and/or support is required in order to spur development of high quality destination product in the Yukon. As evidence, we accept lack of development of such product to date.

In order to provide recommendations to YTG, the authors and the department of tourism have reviewed some potential development properties (only three to date) in the Yukon, compiled information on the success/failures of other government-sponsored initiatives in Canadian provinces, and have assessed the current tourism environment both worldwide and within Canada and the Yukon.

The Authors of this Report

This report has been co-authored by the Yukon Department of Tourism and several consultants who have specific experience relevant to this report. The consultants include:

Rich Thompson, President of Parallel, the Yukon's Agency of Record for Tourism Marketing

Kent Stewart, Consultant with Western Management Consultants

Gordon Stewart, President, D.M. Waves Inc.

Biographical information on each of these contributors is included in the appendix to this report.

Outcomes

The purpose of this report is to provide an understanding of potential opportunities for involvement of YTG, to develop a set of recommendations or options and to specifically set out a tactical plan against that set of recommendations. It is not the purpose of this report to provide a comprehensive analysis of individual sites, nor is it the intention of this report to select winners. While certain sites were visited as part of the development of this report, there has not been an attempt to assess all possible development sites in the Yukon.

This report will make specific recommendations regarding how the Yukon can develop the investment climate required to support development of tourism product in the Yukon over the medium to long term.

Follow up to this Report

If the recommendations or direction of this report is acceptable, then the tactical plan, as set out in this report, should be followed in order to move quickly towards developing investment interest in potential Yukon destination product development.

The report specifically sets out an action plan complete with suggested timelines and rough budgets.

objectives and ideals

Government has the opportunity to play a strong role in assisting in or creating an investment climate for the development of tourism product in the Yukon. While there has been substantial growth in the number and quality of private sector tourism operators in the Yukon over the past few years, particularly in the wilderness and adventure tourism sector[1], this growth has been facilitated by direct government involvement in the travel sector. This has taken the form of efforts that have ranged from increasing air access, particularly from European destinations, through to the development and support of marketing programs aimed specifically at heightening awareness of the Yukon adventure product.

> A product development strategy for the Yukon has substantial merit and should enhance the success of the overall industry in the medium to long term.

In general, the YTG has supported the development of tourism through the following approaches:

- Umbrella marketing of the region
- Establishment and support of regional tourism partnerships such as Tourism North and Canada's Northern Partnership
- Support of industry participants aimed at improving quality of individual marketing efforts
- Support and co-ordination of industry associations.

In general, these efforts have been successful, with the Territory enjoying a general increase in travel traffic and revenues on a year-over-year basis and a substantial spike in tourism traffic in the most recent tourism season (Summer 1998). However it is clear that a major boost in tourism traffic and revenue is unlikely to be achieved through the support and executions of tourism marketing programs alone – no matter how well conceived or executed.

A product development strategy for the Yukon has substantial merit and should enhance the success of the overall industry in the medium to long term. We recommend that a number of very clear objectives and ideals be established in order to ensure that such a product development strategy is implemented in the best interests of all stakeholders in the Yukon's tourism industry.

These objectives will set the standard against which all elements of the product development strategy will be measured. They will ensure that the initiative achieves the appropriate level of success while not having negative impact on those industry stakeholders who have already undertaken significant risks to develop the industry to its current level.

1. Number of Yukon operators in this sector increased threefold between 1993 and 1997

Program Goals

The authors of this report have established a set of ideals/goals for such an undertaking. These include:

Primary Goal:

To positively impact all tourism industry participants and overall tourism revenues over the long term.

Additional Program Goals and Ideals:

- Avoid the creation of any unfair competition.
- Substantially move the industry forward through the support of product development at the high end of the market – create Icon product.
- Facilitate investment by those who are already resident in the territory.
- Facilitate the involvement of First Nations in product development strategies.
- Where existing resources in the territory are not capable or interested in investing in product development, attract outside investment interest that delivers lasting positive impact to the Yukon tourism product.
- Use product development initiatives to help improve the general quality level of all tourism product in the Yukon – e.g. set standard that raises the quality bar for the entire industry.
- Facilitate investment in and development of product that reflects the culture and heritage of the Yukon, while being attractive to a travel demographic that is most likely to be predisposed to travel to the Yukon over the medium to long term.
- Wherever possible, diversify investment in product. The development of a number of Icon products is preferable to the development of one super project.

Aiming for these goals will ensure that product developed as a consequence of this strategy will have an overall positive impact on the industry as a whole, and not just on an individual operator or micro region.

At all times, it should be kept in mind that the development of individual Icon tourism product or products is not the end goal. The ultimate goal is the development of a healthy and vibrant tourism industry in the Yukon that has the ability to consistently attract increasing number of visitors and the ability to have ever-increasing economic impact on the region. In addition, this must be done in a way that celebrates the Yukon's heritage and uniqueness and that is respectful of the Yukon's pristine environment.

The product development strategy can play a leading role in meeting these objectives over the course of the next decade, but it must always be remembered that product development is only one part of the overall strategy for achieving this broad goal. The product development strategy must be co-ordinated fully with the Yukon's integrated marketing campaigns and partnership development programs in order to ensure success.

methodology

The development of this strategy document has involved a step-by-step process aimed at ensuring that a thorough analysis has been undertaken.

The first step in the process involved a thorough review of the current and expected future tourism trends. These trends are summarized later in this document. It was important to assess these trends in order to develop a level of understanding of how the potential Yukon visitor may change over time.

The second stage involved visiting several potential development sites in the Yukon. All of the authors visited sites in various regions of the Yukon including Rose Lake and Primrose Lake area, The Carcross/Southern Lakes region and the Keno area. In addition, the authors' reviewed the Takhini Hot Springs development and are familiar with tourism product currently available throughout the Yukon.

In several cases, reports have been previously published on these regions. These reports have been reviewed as part of the background study undertaken by the authors. Where appropriate, excerpts from these reports are provided in the appendix to this report.

The authors also received reports from government on the status of land claims settlement and the economic prospects for other Yukon industries.

We have reviewed the approaches of other provincial governments and regions in the development of tourism product. Several examples of these approaches are outlined in this report. This review was undertaken in an effort to identify where governments have been most successful in product development initiatives as well as to identify mistakes that can be avoided. These reviews paint a clear picture of the fact that successful Icon products in Alberta and British Columbia would not exist today but for significant government intervention at a variety of levels including initial program development, facilitation, loan guarantees and other government intervention and support.

The Alberta, B.C. and Atlantic lessons summarized in this report provide important learning with respect to the need for government involvement in the development of tourism products. However, YTG may choose to be involved in supporting product development initiatives using methods not employed by other provincial governments in the examples provided. For example, YTG may use government assets such as land, future tax revenue, facilitation, etc. instead of, or in addition to, loan guarantees, grants and other cash incentives.

The Alberta, B.C. and Atlantic lessons summarized in this report provide important learning with respect to the need for government involvement in the development of tourism products.

While the preferred objective is for the government to act as a supporter and facilitator of this development effort, it must be noted that other governments who have attempted to take this approach have ultimately back-stopped the projects and become the lead investors in the development.

possible government roles

The YTG can play a number of roles in both initiating and facilitating the development of tourism product in the Territory. The range of potential involvement includes the following:

- Packaging of investment opportunities.
- Identification of investors/sale of investment opportunities.
- Financial support in the form of:
  - Loan guarantees;
  - Tax incentives;
  - Land incentives or grants;
  - Direct investment or partial funding;
  - Co-operative marketing support;
  - Support of establishment of investor funds (Immigrant investor fund);
  - Revenue guarantees;
  - Combination of the above.
- Site selection and promotion.
- Education regarding investment in the Yukon.

The key starting point is to declare the Yukon's desire to develop high-end destination product, identify potential opportunities, create an investment climate that causes potential developers to consider investment seriously and to facilitate that investment.

A review of reports published by consultants for the YTG dating back to the mid to early 1980s indicates that the desire to develop tourism product at a higher level has always been regularly on the government's agenda. A review of the Kananaskis, Alberta and Whistler B.C. case studies indicates that the provincial governments had a long window of involvement in the development of the properties and that a variety of government support and bail-out was required in order to make the projects successful.

One conclusion is clear. The YTG should be prepared to invest substantial time and resources in this development exercise. It is likely to take a number of twists and turns prior to completion and is unlikely to take place without substantial government assistance. The Yukon faces substantial volatility with respect to air access, has a relatively low overall tourism base and a tiny domestic market, enjoys a relatively short summer high-season, and does not enjoy a substantially developed tourism infrastructure that compares to neighbouring Alberta or B.C. In addition to these challenges, recent economic volatility around the globe is causing concerns about consumer spending in the short to medium term, with the obvious economic consequence that private sector parties are more averse to risk than in more normal times.

The YTG should be prepared to invest substantial time and resources in this development exercise. It is likely to take a number of twists and turns prior to completion and is unlikely to take place without substantial government assistance.

These factors combine to cause us to believe that substantial government intervention may be required with respect to this initiative.

An Assessment of Possible Approaches

The necessary elements

As observed earlier, this item has been on the government's agenda off and on for a number of years. In order to move this strategy from the consideration stage to the action stage, there are a number of activities that should be taken immediately. These actions should necessarily invite dialogue and discussion to further define the strategy and therefore the entire strategy need not be cast in stone prior to the development of these programs.

The necessary elements in our view include:

Development of a Comprehensive Investment Package

A package should be developed that provides potential investors with an understanding of the Yukon opportunity. This package should include a tourism industry overview with projected visitation statistics for the Yukon and a summary of planned marketing initiatives to build traffic. It should also include a thorough review of potential development sites along with an indication of what government support might be expected in general as well as specifically for each potential development. The package should include full contact information for those who wish to seek further information. Currently no such comprehensive packaging exists – placing the review of this opportunity out of reach for anyone not currently familiar with the Yukon.

This package must sell the product development vision of the Yukon. As such it might include both print and multimedia components. This would allow YTG officials to hold information sessions aimed at both informing potential investors as well as motivating them to seriously consider the Yukon option. As observed earlier, the product development initiative will be a tough sell, so it must be recognized that everything that can be done to properly package the sale should be done right up front. We envision a package that will address facilitation of investment generally, as well as specifically addressing several individual sites.

Identification of Potential Investors

There are a number of obvious potential investors for this development project. These include:

- Developers of Icon product in Canada such as CP Hotels.
- Existing successful Yukon Operators.
- Potential European players looking for initial investment in Canada (due to the substantial European interest in the Yukon).
- Developers of mountain product in Alberta and B.C.
- First Nations groups in the Yukon.
- Other private sector developers.

Once the professional packaging of print and multimedia material is complete, information sessions should be held with these groups and groups of other potential investors. These shows could take on the format of the recent show put on by Yukon Economic Development for a Calgary audience of oil and gas industry participants wherein the Yukon declared itself open for business in the oil and gas industry. The investment information sessions would be put on by senior representatives of the Departments of Economic Development and Tourism with senior level follow-up. These sessions and the follow-up would be conducted in a disciplined manner aimed at developing hot prospects with whom further negotiations can take place to determine final site selection, government involvement, etc.

SUPPORT ITEMS THE GOVERNMENT MAY WISH TO CONSIDER:

Note: The following items are provided for discussion purposes only. These items are all methods in which the government can support development. It is our recommendation that the government adopt a clear set of policies regarding the use of each of these techniques. Careful consideration must be given to each of these policy issues to ensure that clear guidelines exist for their deployment. As evidenced by the examples provided in this report, other provincial governments have ended up more deeply involved in product development efforts than originally planned. They have therefore become directly associated with mega project development despite their desire not to be so involved from the outset. It is for this reason that clear policy direction must be established in advance of using any of these techniques to support development.

Any such policy development should also give thorough consideration to the potential role of the federal government and organizations such as the CTC in developing product in the Yukon. It is imperative that federal government involvement be leveraged as part of the product development strategy.

It is our recommendation that the government adopt a clear set of policies regarding the use of each of these techniques. Careful consideration must be given to each of these policy issues to ensure that clear guidelines exist for their deployment.

Policies should be developed for the implementation of any or all of the following support mechanisms:

Purchase and Granting of Land

This strategy is one that is often employed and one that has been discussed and proposed in relation to the Takhini Hot Springs. In this scenario, the government either already owns lands or purchases lands in order to assemble an investment-ready package. Lands are either given or leased at highly favourable rates to an investor as an incentive. This approach can be used to allow the public to retain ownership of important natural lands (such as the Hot Springs) while providing the developer with the financial support required to risk development of a property.

In the case of the Yukon, the government is in position to easily use this type of incentive for most potential development sites. As such in the investment presentation, the government might want to announce its intention to provide this type of incentive as part of a properly qualified investment proposal.

Direct Financial Investment

It may be tempting to initiate the development of a project for later sale. This is the least attractive method of development for the simple reason that it places the government in direct competition with the constituents of the travel industry that it serves. Direct investment should be considered only as a last resort, and should likely be discarded in any event. While the Yukon has challenges, it is our view that it still represents an interesting investment opportunity for the right private sector player. Chances are, if the government is unable to attract a private sector player with the right combination of incentive packages, then the project in question is probably of questionable long-term economic viability and should be abandoned.

Loan Guarantees

In order for the product development strategy to have lasting positive impact on the Yukon, it should encourage investment in the type of high-end product that currently does not exist

in the Yukon. This could be anything from a high-end RV facility, to a top-notch mountain resort. No matter what type of project it is, it will be necessarily risky because it will be the first of its kind. Loan guarantees will likely be necessary incentives in order to help the potential developer get past the risk profile of the investment.

Tax Incentives

Tax incentives could also play a role in the development of the project but are unlikely to be as useful as loan guarantees. Tax incentives might involve a holiday on taxation for a period of time, reduced taxation rates, etc.

The downside of this approach is that any significant project that is developed will have a period of time before profits are realized. Therefore dealing with the risk profile (loan guarantees) will likely be more useful than enhancing the long-term profit profile. In addition, tax incentives may create a long-term playing field that is seen as not level. This would be a negative outcome against our objective of having a fair and lasting positive impact on all industry participants. Tax incentives are probably not ideal in this instance and are not in evidence in the successful projects we have studied.

Marketing Co-operation and Revenue Guarantees

It is risky business for the government to get involved in guaranteeing a certain activity level but this approach can pay dividends. This approach was used with Air Transat in terms of a minimum average seat guarantee. While ultimately Air Transat opted to not continue service to the Yukon, this support enabled the Yukon to attract other carriers to provide air access.

Marketing support could play a critical role not only in helping to attract a potential investor but, more important, in helping to ensure the long-term success of a particular project. This may involve earmarking a certain amount of resources in support of a particular product.

Our view is that this style of support is appropriate despite the fact that it may be seen to create a non-level playing field. The Yukon requires Icon marketing product. For example, Alberta uses the Banff Springs Hotel and the Chateau Lake Louise to sell the entire province. If the appropriate destination resort is built in the Yukon, then that resort can become a major selling point for the Yukon. The government could easily agree to putting a portion of its marketing budget directly into the promotion of a specific resort or property while ensuring that such marketing is actually to the benefit of the Yukon as a whole. Co-operative marketing dollars should be part of the incentives offered as these expenditures would be aimed at ensuring the success of the property.

The YTG could also assist in leveraging marketing support for these projects from the CTC or the federal government. The CTC has programs in place to specifically support these initiatives and provincial governments such as those in Atlantic Canada have made good use of federal support in tourism product development initiatives.

Site Selection

It is our view that the role of government is to identify a number of possible sites – say three to six – and to provide ideas on potential development of these sites. However, the final site selection should be left to the private sector investing party. Therefore, the government's role here should be to develop an understanding of the potential of sites. Prospectuses could be developed for each potential site and the government should not be afraid to promote their potential. However, ultimate site selection should be left to the investing party.

lessons from the provinces

Kananaskis Country development

Kananaskis Country in Alberta involved the development by government of 4,250-square-kilometre area of public lands approximately one hour west of Calgary. The lands were set aside as a multiple use recreation area which provided separate areas for hiking, cross-country skiing, downhill skiing, snowmobiles, all-terrain vehicles, and bicycling.

The Alberta Government used the Alberta Heritage Trust Fund, a $14 billion trust fund created from oil and gas royalties, to develop the mountain recreation area dedicated to Albertans.

Developed at an estimated capital cost of approximately $350 million, the area also included an investment of government human resources on a dedicated basis for almost 10 years. In addition to this investment, government made significant financial guarantees, built and operated major infrastructure, incorporated costs into the Olympic program, and funded organizations such as the Kananaskis Resort Association for almost a decade.

In Kananaskis Country (K Country), the provincial government built the follow infrastructure, services and amenities:

- The major access road, Highway 40, at a cost of some $150 million.
- Peter Lougheed Provincial Park, including several campgrounds, commercial areas, boat launches, public areas, and Park services.
- In total, K Country has 2,000 auto access campsites and many remote backpacking sites. Three Provincial Parks are dedicated in the area – Peter Lougheed, Bow Valley and Bragg Creek.
- Trail systems, including an extensive paved bicycle path system, within and between parks and campgrounds.
- Hiking trails to most major areas of the backcountry.
- Information centres in strategic locations.
- Mount Kidd Recreation Vehicle Park, a full service RV park that cost twice the normal per unit cost to build.
- Nakiska, the ski hill developed for the 1988 Winter Olympics.
- The Kananaskis Golf Course.
- The William Watson Lodge, a residential facility catering to handicapped and senior Albertans.

Private development was also envisioned in carefully planned areas of the K Country. Boundary Ranch hosts conventions up to 500 and small groups in a western ranch facility offering trail rides, backcountry riding and a barbecue facility for 500.

The Sundance development is a small accommodation development which hosts visitors in large teepee structures.

The landmark development of accommodations in K Country was, however, the Ribbon Creek development, now called Kananaskis Village. The village was planned as part of the development from the outset, and the high bench on which the village sits was serviced, roads were built and the area was cleared long before development occurred.

The Ribbon Creek development was planned in 1978, and was first offered up for private investment in 1980/8. The National Energy Program was announced just as the development was taken to market. The devastating effect the NEP had on Alberta is history. There were clearly no investors in Western Canada available to finance the project, and central Canadian Banks were not prepared to risk such a project. Alberta went into recession in 1981/82, and recovery did not occur until into 1986. The Ribbon Creek Development remained a serviced but undeveloped site for this period.

In 1985, a second public offering was made. However, in keeping with the original plan, the accommodations were

restricted to smaller properties. Originally, the K Country plan called for small development of fixed roof accommodation, with cabins or small lodges envisioned. As the second development was offered, the three properties were still restricted to one large property at 150 rooms and two smaller properties at 75 rooms each .

The market response to these uneconomical properties was to reject the offering. Over the next few months and years, Government began increasing the size of properties. Government wanted the Ribbon Creek development in place by the Olympics in 1988, so they were prepared to make generous offerings.

Finally, Trustco Developments took the properties to market, developed a management lease, and offered properties at 255 rooms on Parcel A, 85 rooms in Parcel B, and 95 – 100 rooms on Parcel C. Initially three separate parties were signed, a requirement of government. Before the development occurred, Trustco had developed Parcels A and B, and an Edmonton family developed Parcel C. CP Hotels and Resorts was retained to manage two properties. Trustco subsequently declared bankruptcy, and CP took over ownership of the two properties.

Despite what appears to be a difficult financing and development story, Government had offered 100 percent loan guarantees on all construction costs. Government also paid for all servicing. Despite this support, these properties only went forward when a virtually guaranteed rate of return was offered.

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Today the properties in Kananaskis Village enjoy strong, if seasonal occupancy and are considered to be fine examples of mountain resort development.

Source: Personal Interviews, Western Management Consultants.

Resort Municipality of Whistler

Whistler Mountain was, in the late 60s a well-known, local and regional destination ski resort located two hours by car on a winding (and dangerous) highway north of Vancouver. The Whistler Village was a disorganized gaggle of winter cottages with various levels of service, nestled at the base of the mountain and across the road from the lift staging area.

What Whistler offered was incredible ski terrain for the dedicated ski enthusiast. A convoy of cars would make their way north from Vancouver starting at 4:00 a.m. The first group up the gondola would leave the based at 6:30 a.m. The lineup would start at the bottleneck gondola operation at 7:30 a.m., and skiers who arrived after 8:30 a.m. would often not reach the summit until close to noon. This was the first stage of the development of Whistler.

Between 1970 and 1980 Whistler experienced mainly ski developments, with some 13 lifts being developed in the period. The third phase of development saw the realization of the four-season resort stage of Whistler's story. This year, for the fourth time, *Ski* magazine readers named Whistler the number one ski resort in the world.

During the 1970s the provincial government became increasingly involved in the Whistler area planning and development as the destination grew. In September, 1975, they proclaimed the Resort Municipality of Whistler, creating a unique resort municipality in British Columbia.

Following the proclamation, Whistler saw major infrastructure and service development, major village and townsite development, an injection of $9.2 million in government funding in 1978 as a result of the TIDSA agreement on tourism, creation of the Whistler Resort Association in 1979, the opening of Blackcomb in 1980, the creation of Whistler Village Land Company, and its winding down in 1983, and the final build out of the first village and the initiation of Whistler Village north by the early 1990s.

Whistler developed as a Resort Municipality in response to the inability of the Regional District to service and support the large development demands of the tourism generator with the revenue available from dispersed, seasonal cottage tenants. The response was to create a resort municipality which subsumed the community, the mountain companies, the Whistler Village Land Company, and the village itself.

> Were it not for crucial government intervention in the early years with basic infrastructure investments, and in later years with a financial salvage operation, Whistler would not be the same tourism magnet today.

The key power of the Resort Municipality was the power to borrow money for necessary service provision without going to referendum. This permitted the development to go forward when residents might otherwise have stopped it.

The resort municipality functioned financially through the creation of the Whistler Village Land Company, which was charged with ripening and selling the Village land and investing the proceeds in the planned projects of the municipality. While the first two phases of sales were successful, the third phase came on stream in 1981. The province was in recession, and there were no buyers. By 1982 the Land Company was effectively insolvent and the Resort Municipality was in deep trouble.

The impact of land company insolvency put calls on the debt of the Municipality, including:

- $10.5 million on the TIDSA loan.
- $2 million to the province for the village land.
- Inability to finish the convention centre on which $6.5 million had been spent.

The imminent collapse of Whistler caused the provincial government to step in to salvage the Municipality in 1983. The tool used was WLC Developments Ltd., a private company in which all the shares are owned by the provincial government. WLC acquired the rights and assets of the Whistler Land Company for one dollar.

The debt load WLC Developments Ltd. acquired in 1983 amounted to $27 million on assets valued at $7 million. The $20 million shortfall would have prevented other companies from obtaining credit for additional activities.

Development continued, however, through government-secured development lines of credit from Victoria and Grey Trust in the amount of $21 million. This supported completion of the convention centre and golf course.

The Whistler Resort Association was the vehicle created to permit administration and marketing of the Whistler Village. The main difference from other associations was that membership was compulsory. It had mandatory taxing authority, and skewed membership fees based on size of operation. The WRA was charged with marketing, central reservations, recreation, transportation, property maintenance, waste collection, and other functions common to a municipality.

Today, Whistler has a worldwide reputation as a Mecca for skiers and a four-season mountain resort among the best in the world. However, were it not for crucial government intervention in the early years with basic infrastructure investments, and in later years with a financial salvage operation, Whistler would not be the same tourism magnet today.

It is clear that governments, provincial and federal, invested millions of dollars in Whistler before it blossomed. While the return of those original dollars may not have occurred, the investment would have paid off handsomely in tax revenue accrued over the past decade as a result of the economic impact of this world-scale resort.

Examples from Atlantic Canada Tourism

In setting the context to view governments' investment in the Atlantic Region one should position the importance to the Atlantic economy. Tourism in gross domestic terms to each of the Atlantic Provinces ranks 1st, 2nd, 4th and 5th when compared to other parts of Canada.

Some of the tourism benefits are:

- 100,000 people employed with annual payroll exceeding $1 billion;
- generates $400 million in taxes; and
- one of only a few demonstrated growth opportunities for the Atlantic region.

As for investment instruments, there are obviously the traditional services available to all regions in the country, but in addition to these the Atlantic Region has had other key sources. The Atlantic Canada Opportunities Agency (ACOA) which operates offices in all four of the Atlantic provinces, the provincial governments through the Economic Development and Tourism Departments and, finally, federal/provincial joint development agreements (Cooperation Agreements). ACOA has a wide mandate as a federal agency but the funding profile outlined in this document gives strong commitment to the tourism portfolio. The funding profile gives the numbers for ACOA and joint cooperation program investment but does not include direct investment by the provinces in some of the tourism infrastructure.

This is clear evidence that governments are major players in developing and assisting in developing major tourism infrastructure.

Funding Profile

In 1997-98 ACOA invested $43.3 million in tourism related projects. In the prior fiscal year (1996-97) ACOA invested $50.2 million on tourism projects. Overall, ACOA is spending approximately 25 percent of its G & Cs on tourism related initiatives.

For fiscal year 1997-98, program expenditures in tourism were as follows:

Program Element	Funding Level
Business Development Program	$23.9 million
Cooperation	$16.5 million
Other	$2.9 million

By way of contribution, 55 percent of funds were non-repayable, 45 percent repayable. Overall there were 325 projects for an average investment of $113,000.

By category, investments were as follows:	
Attractions & recreational facilities	$17.1 million
Accommodations	$12.7 million
Marketing	$4.0 million
Planning and research	$2.6 million
Adventure tourism	$2.2 million
Industry development	$2.1 million
Festivals and events	$1.3 million
Technology and HRD	$1.3 million

Overall, ACOA support for tourism has been significant, positive and influential.

Tourism investment by provincial governments, either by circumstances or by early intervention, has paid strong and rewarding dividends to their provincial economies. These returns have not only been to the economies – they have also helped shape the tourism product, private sector investment, marketing efforts and a level of quality and standards for the tourism sector.

Provincial Government Investment in Infrastructure

An example of a cross section of tourism projects in which each of the provinces have invested indicates that the majority have been successful and continue as viable projects today.

Nova Scotia

Nova Scotia has played a strategic role in developing key projects that lead tourism development in Nova Scotia. Some of the larger projects have assisted in the draw of visitors to the province such as Keltic Lodge, Digby Pines (resort hotel), Liscombe Lodge, Upper Clements Theme Park, Digby Pines Golf Course, Tatamagouche Golf Course and key campgrounds sites.

Keltic Lodge and Digby Pines are four-star properties that are major traffic generators by themselves. These classic resorts cater to the high-end trade and combine major resort hotels with cabin units and à la carte dining service. The Liscombe Lodge is a three- to four-star property which caters to upper-end motorcoach trade and outdoor/nature people. All of these properties are owned and managed by the government. These are key properties and set the tone for quality and service for much of the tourism sector.

The two main golf courses built and operated by the province again fit into the model of attracting middle to high-end customers and are managed by the province in association with local clubs. These courses are primarily green fee driven courses and more than 50 percent of their revenue is derived from visitors.

The Theme Park was built, again, by the government but the method of finance was a little more unique. This project, in a remote community, was floated as an ROI project and most of the money was borrowed and raised in the United States and guaranteed by the province. The province built the park and today it is managed by a private sector company with an option to buy. This project initially had too high expectations but when the market reality settled in, the park is an important asset in the tourism inventory of that area.

The campgrounds are also owned, operated and managed by the province. The key factor here is the provincially owned land was in key strategic locations, i.e. lake frontage, ocean frontage and wilderness sites, for development. Again, anchors within the camping sectors and are trend setting for site development. There has been some tendering of the managing and operation of these sites and a future forecast could see more of these sites in the private sector.

Nova Scotia has invested heavily in infrastructure of tourism as indicated by these few examples and would get a high grade on their report card for this investment. Clearly it has been a catalyst to help grow the tourism sector in that province.

Prince Edward Island

PEI has focussed its investment in tourism infrastructure in two primary areas – accommodations and golf courses. PEI has a strong tourism economy but very seasonal in nature. The months of July and August provide almost 90 percent of the total tourism receipts. The "Island", as it is commonly known, is a natural for golf courses with its sandy soil and almost no rock base. As a matter of interest there is a new

18-hole golf course which was built in only 117 days from start to finish. The government owns but does not operate the golf courses. A local hotel chain operates two courses in conjunction with a management contract to operate two resort hotels on the golf course properties. Brudenell Resort and Mill River are positioned as upper-end quality and almost all of their business is tourism. Only Mill River operates year-round as a resort.

The third golf course is a championship signature course – Crowbush Cove, which is ranked as one of Canada's top courses. Only two years old, it is considered to be a great success and was built primarily on immigrant investor funds. So successful is the project that a major national flag hotel (Delta) is in a partnership to build a major year-round resort on the property. The proposed partnership would include land from the province, financing from immigrant investment fund and Delta Hotels. The province would turn over its land over a period of time and guarantee the immigrant investors for the period of time required to develop the project. In this example it was difficult for the province to invest any more financial resources given the current economy of provincial finances, however, the province had land as a key development component. An offshoot of the golf development is a golf management school that has been built in the province.

New Brunswick

New Brunswick investment in the tourism infrastructure has been a bit more diverse. The province has two major resorts – Algonquin (CP Hotel) and a rustic retreat lodge open all year. CP Hotels operates the Algonquin Resort and Golf Club in which the province is currently investing $5 million for a course upgrade. The largest challenge to New Brunswick was in the area of product. They have invested heavily in snowmobile trails, grooming and market activities to develop the winter product. There have been investments in cultural products, e.g. Eel River Bar Indian Reserve, a traditional aboriginal garden, also supported by the Smithsonian Institution, Heritage Canada, as well as the Local Band Council. This project is currently being built on Reserve lands and the aboriginal community will manage the project.

The Bay of Fundy has been developed as the primary tourism product of New Brunswick. This project created access to the bay with the world's highest tides, interpretation centres and travellers experience the many travel products the bay offers. Products that include private canoe and kayak operators, whale sightseeing, birding, boat tours and fishing. The more interesting element here is that government invested heavily in access to the bay – stairs, parking, interpretation centres, etc. The private sector is responding with a host of small tourism businesses.

The element that the province did not waver on was quality. The operators selling their products and service to visitors as part of the Fundy experience were all quality driven. They developed programs like mystery shoppers to report back to operators on their experiences and pushed accommodation/camping star criteria (Canada Select Program) to ensure high quality thus pushing the ticket price up for a better ROI.

New Brunswick used not only their own resources but partnered with the federal government and other private sector companies to develop new tourism products. They have also invested in Acadian Theme Villages and are now seeking partners to develop golf courses as they have considerable land holdings in the province.

Newfoundland and Labrador

Newfoundland has not invested as much financial resources directly in tourism products as the other Atlantic provinces. However, they have been very successful in leveraging the federal government and its various departments to invest in the tourism infrastructure. Newfoundland has a diverse and widely geographic placed tourism development. Parks Canada, through the Gros Morne National Park, is but one example of a destination that has received strong financial development support. Now a Unesco site, it has become a key tourism attraction for the province. The park has enjoyed continuous support from the different levels of government and now private operators have responded with a variety of supporting business services: guiding, tour boat, accommodations, birding, hunting/fishing and guided tours.

Marble Mountain has been primarily built with government funds and is now operated under management contract by a private operator. The province has leased land to private operators on long-term/low-rate leases to build wilderness camps and fly-in hunting/fishing camps which have been very successful. The government has also conveyed land to assist in the development of various golf courses.

Learning From Atlantic Canada – Quality as Key Development Issue

Any new development in tourism should set the quality bar as high as possible. Quality should be reflected on all aspects of a project, from infrastructure to service. This will assist in shorter start-up times and also reflect in a better ROI for the project. It will lead to better pricing and less consumer resistance as the new traveller is quite prepared to pay more for quality. This will eventually be reflected in marketing the product, goods or services, to the trade and the consumer.

Getting the quality standards will also set the pace of other new products and services that usually follow tourism projects of a larger scale. Quality is also one of the best guarantees for access to the travel trade and to ensure repeat business.

Accommodations should be graded against the Canada Select program, all service people should be required to do a program like Super Host and, as much as possible, all people in defined professions in tourism should have accreditation and certification.

Quality pays dividends in ROI and improved accelerated successful tourism projects.

recommended approach

The lessons from Canada's eastern and western provinces are clear: Product development strategies have required a long-term horizon, government support, a commitment to quality, financial support and vision. They need to be tied into the overall tourism program for a region. And, the private sector should play a role in development and long-term operation of the projects.

Approach

Based on our review, we recommend that the government consider the following approach to development of the Product Development strategy:

- Develop an investment presentation and kit that profiles the investment potential in the Yukon generally as well as individual site potential.
- Establish a bank of potential development sites either through setting aside existing owned lands or through the development of policy for purchase of private sector lands, such as the Takhini Hot Springs that are prime development targets. This approach would likely involve a two-tier strategy – identifying lands with immediate development prospects and those which might make sense for development over the medium to long term.
- Professionally package the opportunities associated with each development site.
- Establish a development fund to be used for program financing, loan guarantees, etc. This would involve earmarking a certain portion of the government's budget for supporting the development of sites in the Yukon via loan guarantees, grants, etc. The fund would be established based on policies that are established for each of the approaches discussed earlier.
- Establish a goal of establishing at least three quality destination tourism products in the Yukon – likely one in the immediate Whitehorse area (Takhini), one in the vicinity of Kluane (Rose or Primrose Lake) and one in the Southern Lakes District. (Other potential areas include the North Highway or the Silver Trail area – the potential for these areas should continue to be developed.) The southern land areas are currently most accessible and most proximate to the area in which most tourism activity is taking place, thus these are areas that have the highest potential for success. Other areas, such as Kluane should also be given consideration.
- Develop a list of potential investors.
- Hold information sessions aimed at developing potential private sector partners. Also hold information sessions for existing tourism industry participants to make clear the commitment to a level playing field and the improvement of the tourism industry as a whole.
- Develop specific financing models in association with private sector partners for each development.
- Support the developments with distinct targeted marketing programs during the first three to five years of operation
- Celebrate the successful launch of each product and the subsequent success through an ongoing public and media relations campaign

The government must actively manage this development process in order to hedge against possible business failure. As noted in the examples, despite best efforts, other provincial governments have had to become more involved with product development efforts than they had originally planned. The government should enter this development initiative with

contingency plans and funds in place to hedge against potential failures. There is a high likelihood that the government will have to become more involved in investing in these programs than they would plan to be.

Resources Required

The B.C. government initially invested $9 million and followed up with $21 million in loan guarantees to help with the development of tourism product in an area where infrastructure was already in place. Alberta developed the Kananaskis area at tremendous cost – $150 million for road infrastructure alone. ACOA is investing at the $50 million per year level in tourism product in the Atlantic Provinces. The point: Investment in tourism product development can be extremely expensive and likely to involve a substantial investment of funds by the YTG and potential partners such as the Government of Canada.

In order for a serious development strategy to be successful, the government will have to signal serious intent through the announcement of a funding model and a commitment to infrastructure development that will involve an investment of scale. It is imperative that the government signals clear intent to provide meaningful support for these development efforts.

It is recommended that the government set aside funding as follows in order to move this initiative forward:

Development of overall presentation materials on the Yukon investment opportunity including print, CD-ROM/Internet and multimedia staged presentation	$100,000
Budget for investor road shows, hosting, etc.	75,000
Full site selection survey including the development of investment prospectus for each approved site and an assessment of infrastructure and other costs associated with the development of each site	400,000
Public relations, advertising and marketing activities	50,000
Funds for the acquisition of lands not already owned (subject to YTG policy development)	TBD
Establishment of a fund for support of program development (subject to YTG policy development)	TBD

The cost the YTG will likely involve an initial investment of $1 million and a sustained yearly commitment of at least $250,000 for a period of four years. Other support could be delivered in the form of tax incentives, loan guarantees and other inducements. In addition, it will require ongoing dedicated program management for the four-year period.

global tourism trends

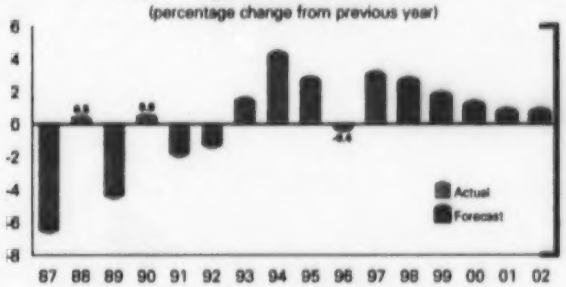
It is estimated that tourism will be the largest private sector employer in North America by the year 2000 and a $1.5 trillion industry by 2010.

Expectations of Visits to Canada

Canada is expected to benefit substantially from the global trend in destination tourism growth. In a recent study commissioned by the Canadian Tourism Commission, overnight visits to Canada from the US are forecast to continue to increase at a rate of 2.8 percent in the current year, 2.0 percent in 1999, and from 1.5 percent to 1.0 percent per year thereafter for the next three years. The bulk of this increase is expected from destination oriented visitors arriving by air.

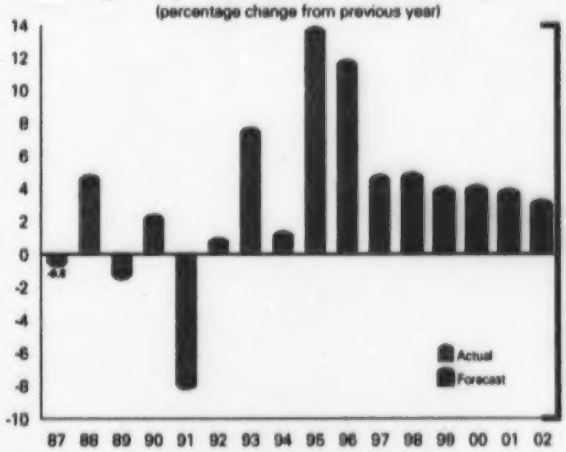
Overnight Trips from the U.S. to Canada

(percentage change from previous year)



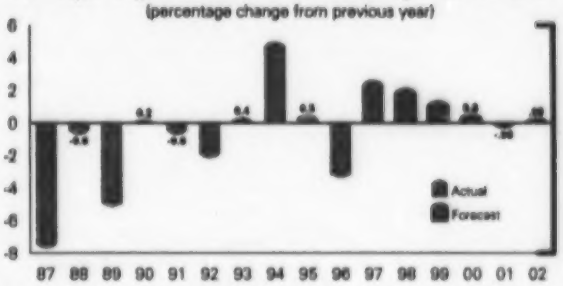
Overnight Trips from the U.S. to Canada by Air

(percentage change from previous year)



Overnight Trips from the U.S. to Canada by Other Modes

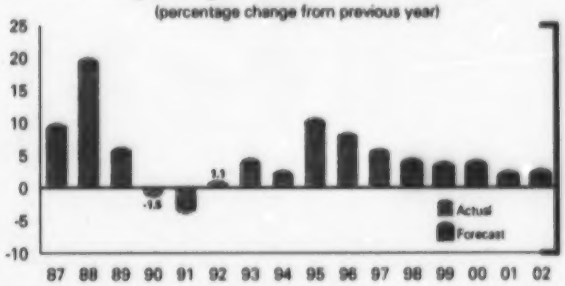
(percentage change from previous year)



Looking to the rest of the world, it is expected that there will be continued strong growth in visitation to Canada from the UK. In 1997, UK visitation increased by 6.1 percent and this trend is expected to continue with a growth rate of UK visitors of over four percent for each of the next three years.

Overnight Trips from the U.K. to Canada

(percentage change from previous year)

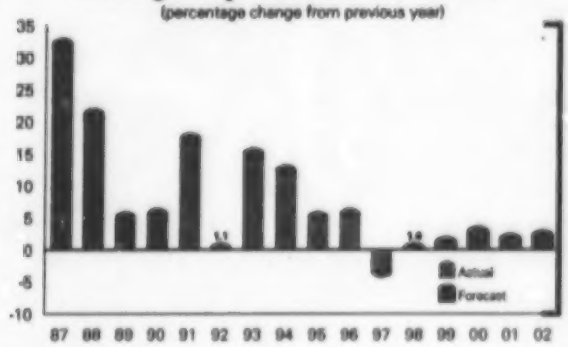


Growth of visitation from France is not expected to be significant until the turn of the century when it is expected that French visitation will begin to grow at a rate of 2.5 percent to 3.5 percent per annum. German tourists are expected to

decline through the turn of the century, and then to begin to grow again at a rate of roughly 2.5 percent per year. The same profile is expected from Japan. The rest of the European market is expected to grow at roughly 2 percent per year.

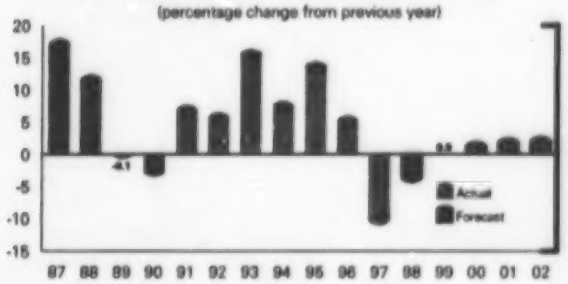
Overnight Trips from France to Canada

(percentage change from previous year)



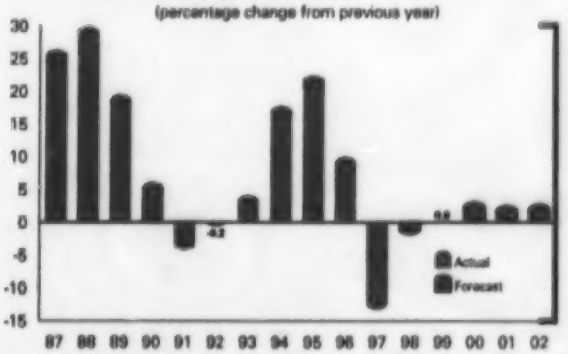
Overnight Trips from Germany to Canada

(percentage change from previous year)



Overnight Trips from Japan to Canada

(percentage change from previous year)



Strong growth is expected from Latin and South American markets. Mexicans are expected to increase their overnight stays in Canada at a rate of seven to 10 percent per annum for the next five years while Brazilian visits are expected to increase at a rate of between 4 to 8 percent per year.

During the next few years it is expected that outbound Canadian trips to the US will decline in response to the weak loonie, and this bodes well for destination visits by Canadians to other provinces and territories. All in all, the next five to 10 years promise to be a time of moderate tourism growth in Canada with a low likelihood of significant decreases and a chance at very robust growth in some regions.

Overall, the Canadian Tourism Research Institute expects the average growth rate of Canadian tourism to accelerate slowly over the next 10 years, reaching 2.9 percent per annum in the early part of the next century. This level of growth is expected to support continued expansion of Canada's tourism industry at a modest but sustainable rate.

Important Trends

With the aging baby boomer population, several interesting demographic trends are emerging that impact the tourism industry.

Increasingly, families are becoming more diverse and less child oriented. This bodes well for the Yukon where the traditional destination visitor is a couple seeking soft adventure travel product. To illustrate the impact of demographic shifts, consider that households whose head is less than 35 years of age will be less than 15 percent of the population in 2016 vs 26 percent in 1991. A major shift is underway.

The good news for the Yukon is that empty nesters are typically looking for adventure. During the period from today until 2016, the baby boomer population will increasingly become empty nesters. Mortgage and kid free, this group will represent 34 percent of family households by 2016 – a 35 percent growth over the number of such families today.

This group seeks pleasure and happiness and have shown an easy willingness to travel afar to find their unique vacation spot. Ideal as Yukon targets, this group will be the target of many marketers and we can expect that most product developed by regions around the world in the next 10 to 15 years will be developed with this group in mind. They are likely to be inundated with opportunities, but are likely to choose travel that is hassle-free, but that will add value to their lives and experiences. Romantic, cultural, educational and adventuresome experiences will appeal to them. Tour companies will be driven to design more exotic and unusual travel adventures.

During this same period, the 65+ population will also grow by a whopping 84 percent. The largest growth in this category will be in the 85+ age group. Travel industry will face significant challenges in catering to this group.

Baby boomers stand to inherit substantial money during this period and have shown a propensity to spend inherited money on travel. As such, those who are capable of appealing to the baby boomer market may find that they experience substantially more robust growth in tourism revenues than the moderate growth targets expected by the Conference Board.

Product Requirements

Clearly the focus in development of product should be on those products that appeal to the aging baby boomer population. They want to seek unique adventure product, with a comfortable and often luxurious surrounding at the end of the day. They are prepared to go out of their way for their vacation, but there is a trend to shorter stays. Five to seven days versus 10 to 14 days may become the rule as the baby boomer is increasingly defining the profile of the visitor. Product development efforts must take this visitation style shift into consideration.

This would suggest that quality out-of-the-way lodging with access to high quality adventure tour product would be ideal product development candidates. In the case of the sites visited by the evaluation team, each of the Takhini Hot Springs (as a high-end staging ground) and lodges on Rose Lake, Primrose Lake or one of the arms of Lake Bennett would ideally fit this profile. The latter three locations would be destination resorts in their own right and Takhini could act as a staging ground for people on their way to one of these destinations as well as a feeder for general adventure tour product in most directions from Whitehorse.

Sites that do not fit this profile as well would be a site at Keno with a historical focus or a lodge in the Marsh Lake/Tagish Lake area. In the case of the former it does not offer the same rich adventure set that would be available from the other sites in question. In the case of the latter it would not likely have the same level of appeal as a remote and unique destination as, say, Rose or Primrose Lake.

However, having said this, most destinations in the Yukon will fit the profile of what the baby boomer is looking for and hence we should expect a significant degree of growth in destination tourists for each project that is undertaken. This is assuming of course that access issues to the Yukon can be conquered.

yukon tourism trends

In a publication by the Canadian Tourism Research Institute and The Canadian Tourism Commission titled "Travel Forecast 2000", an attempt is made at identifying the hot products of the next century. The major trends identified are as follows:

Adventure tourism will grow in importance.

Tourists will seek "learning" travel experiences.

Canada's North holds much promise.

Aboriginal and cultural tourism will grow.

Off-season winter travel will grow.

All of these trends are great news for the Yukon.

Yukon Travel Scan

Tourism industry stakeholders in the Yukon have been quick to recognize and act on the growing trend towards adventure tourism and are beginning to awaken to the trend towards eco and aboriginal tourism. The development of quality adventure and wilderness tourism product is both responding to and resulting in increased tourism traffic to the Yukon.

In 1998, the Yukon will set a new record for visitation. This is partially attributable to the gold rush promotions – a key marketing focus from much of the last five years and partially due to the growing quality of adventure product. In addition, growth was supported by direct access flights from Germany by Air TransAt and were likely impacted by the weak Canadian dollar which has kept Canadians at home and appealed to some American visitors. It is difficult to predict if "open skies" has had an impact on tourism numbers in the Yukon.

The total visitation to the Yukon over the past five years reflects a fairly slow but steady growth when 1998 is ignored. Figure 1 shows that the total number of border crossings increased from 254,712 in 1994 to 286,963 in 1997 (this does not include those visiting the Yukon by air).

Figure 1: Yukon Border Crossings Excluding Air Travel

	1994	1995	1996	1997
Private Vehicles	205,632	218,325	204,318	201,869
Motorcoach	44,902	45,104	48,178	50,646
Train	4,178	2,665	6,005	14,448
Total	254,712	266,094	258,501	266,963
Breakdown by Country of Origin				
United States	213,523	222,698	212,630	221,142
Canada	18,211	18,476	18,202	18,682
Overseas	22,978	24,920	27,669	27,139

Although the numbers are not in for all of 1998, by June, border crossings had increased 16.1 percent year over year, so the final numbers for 1998 will show a substantial gain in tourism. It is difficult to predict the level of sustainability of the growth in the current year and early 1999 numbers will have to be closely watched.

Figure 2: Yukon Border Crossings 1998 vs. 1997 (May to August)

	1997	1998	% Change
Private Vehicles	145,943	157,305	+7.8
Motorcoach	44,997	48,027	+6.7
Train	12,221	22,525	+84.3
Total	203,161	227,857	+12.2
Breakdown by Country of Origin			
United States	164,414	188,052	+14.4
Canadian	15,614	15,021	-3.8
Overseas	23,133	24,784	+7.2

The Yukon Opportunity

If the Canadian Tourism Research Institute estimates are accurate, then Canada's Yukon is the ideal tourism destination for the next quarter century and beyond. With careful and efficient development of adventure tourism and aboriginal tourism product, the Yukon should be in the position of offering an increasing amount of what the world's growing tourism industry is seeking. As a consequence, the Yukon should be prepared to forecast and expect faster growth than that which has been experienced over the past decade.

The Yukon should also be able to take advantage of the increasing interest in winter travel product, the desire for learning travel experiences, and the general cache of Canada's North.

The Canadian Tourism Commission has signalled not only its interest in helping to support growth in Northern tourism, but has delivered that support through being an initial funding sponsor of the Canada's North Partnership. Canada's North binds Canada's three northern Territories into a partnership that will seek to extend the marketing reach of each territory. This initial interest should be taken as a signal that industry groups are expecting this region to play an increasingly important role in Canadian tourism, and that one might expect an increase in interest in the area by investors.

But what will this growing potential tourist base be looking for in the Yukon?

In *Yukon Trends*, a publication from Tourism Yukon and TIA Yukon, several trends are summarized regarding the potential visitor over the next decade. These reflect observations already made in this document, but are interesting to review in summary. They include:

- The visitors will be over the age of 45 but will not be the traditional Yukon senior visitor. They will be more accustomed to travel and willing to spend more money.
- The traveller will be seeking knowledge and experience.
- They will envision themselves more as a visitor to culture than a tourist.
- Convenience is important to these travellers. However, they will eschew "tours" and want to plan unique visits as they will be more explorers than followers.
- Flexibility is a key. These new travellers may travel to the Yukon for shorter stays, they may seek out new seasons in which to travel and new ways to explore. They will be seeking to maximize their time in the Yukon with as many experiences as possible.

Is the Yukon ready for this type of traveller?

To a certain extent, the adventure tour operators have been developing products aimed at this increasingly sophisticated marketplace. In our view, individual private sector operators will best develop the adventure tourism product and they simply need to be encouraged and supported as they develop their products and their marketing efforts. Already, Tourism Yukon is engaged in supporting the Wilderness Tourism Association of the Yukon with respect to efforts ranging from marketing programs to Internet presence development and beyond. This area is appropriately supported and will respond with quality and volume to the growing demand for this type of product.

However, general infrastructure growth and staging has not developed in the Yukon at the same pace. While some remarkable efforts have been made to continually improve the hotel facilities in Whitehorse and Dawson, there is much room in this area for further infrastructure enhancement. Our tourist of the future will want to spend less time and more money in the Yukon and evidence suggests that while they want adventure and knowledge experiences, they want to retire at the end of the day or day(s) to comfort. They want the experience of first-class accommodation available for that part of their stay.

Possible Developments – Those that fit the trends

To this end, a development such as the Takhini Hot Springs would make sense. It should be seen as a place from which adventure and educational tourism forays can be staged. It is close enough to Whitehorse to be convenient for fly-in and drive through visitors, yet far enough away to offer accommodation at the fringe of pristine wilderness. It is not likely to be properly developed without government support. Its size (land area) means that it could offer lodge, recreational vehicle and tent accommodations at a high quality level as well as recreational activities for those inclined to stay close in. Currently it is not a highly attractive facility developed to anywhere near its potential. In fact, it comes with only one major drawback – the development of this property with government support will necessarily impact on the current Whitehorse tourism operators in the short term – thereby likely leading to claims of inappropriate government involvement in product development.

However, there are products that would make sense for Whitehorse that could also be developed to partially offset this impact. Convention tourism and Sports tourism are both huge opportunities for the Yukon. A quality convention facility and enhanced sports facilities in the Whitehorse area could serve as an increased draw to that city. This is particularly of interest in improving the shoulder season traffic to the area. The economic impact of improved shoulder season traffic is more favourable than increasing traffic during the traditional high-demand summer period.

A third initiative should include the development of top quality staging resorts in the far reaches of the Territory. Once again this development initiative would marry the "authentic" experience with comfortable, higher quality accommodations. There are at least two areas in the Territory that offer interesting potential in this area. A comfortable lodge could be developed on the shores of Rose Lake where YTG cabins are currently in place. Here the visitor could enjoy comfortable and visually stimulating surroundings while having ready access to many of the outdoor adventure programs available to the Yukon visitor. Primrose Lake offers the same opportunity in even more visually stimulating surroundings; however, it is even less accessible than Rose Lake.

In both these cases, access is limited. However, tomorrow's visitor might find that lack of access an important aspect of the visit. As well, developments in these areas would be limited in scope and therefore would be able to provide access to those who desire such an experience. These are the type of developments that could become Icon product for the Yukon – defining the style of experience the Yukon has to offer and increasing its overall appeal to the world's visitors.

Another type of development in this category would be the development of an extremely high-end lodge offering with a higher capacity. Such a product could be developed in the Southern Lake region. The West Arm of Lake Bennett holds interesting possibilities for such a development with settings that match those of the great Alberta Rocky Mountain hotels. However, such a development would require road access. This access currently does not exist into the ideal development locations (somewhat remote, picturesque and accessible to a wide range of immediate adventure tourism). Despite the challenges, this type of development holds the highest degree of promise for elevating the awareness and desire for the Yukon travel product. This type of development should therefore receive serious consideration and effort as part of the investment development exercise.

More historical interpretation centres could also be considered. Once again, these will likely require government support as they are not likely to develop without it. However it should be kept in mind that these tourist attractions are not likely to ever develop into primary destinations. Therefore they should be developed in reasonably close proximity to existing destination areas if significant investment is to be made. For this reason the authors of this report have rejected the notion that the Keno mines offer an opportunity for such an interpretive centre. While extremely interesting, this area is remote and access is via low-quality roads. The investment in infrastructure and development of this area will not likely deliver any type of payback.

The government should also consider supporting development of increased marketing and promotion of existing historical sites. There are some quality sites in the Yukon already, and they would benefit from increased marketing efforts, increased signage, etc. It may not be necessary to add new products in this area for some time and so effort should be made to promote existing product offerings on a more aggressive basis.

issues

There have been a number of issues identified throughout this report. The are summarized here as a list of items that the government must be careful to consider as part of the roll out strategy for this program.

This list is not comprehensive. It does summarize those key issues that must be at the forefront of government thinking during the development and implementation of the program.

The government must be careful to **avoid picking favorites** by promoting single projects at the expense of other projects of perceived equal merit.

The government must **set clear policy direction in advance** for any incentive programs such as tax incentives, loan guarantees, etc. These policy directions should be established with a view that government intervention will be required for some development projects at some time.

In order to generate support for this program in the media and within the tourism industry, the government should **clearly communicate the benefits of this program** to tourism industry participants and the media. Specific examples of successes in the Canadian provinces should be sited.

This program should **not be reduced to a single product** development initiative. The Yukon will benefit most from the development of a number of projects in different areas of the territory that provide access to a wide range of tourism activities. Having said this, there is also a limit to the number of projects that should be undertaken such that the new initiatives compliment and do not compete with existing tourism operations.

It can be anticipated that the Yukon media will seek to determine the negative aspects of this program. They will likely be concerned with private sector interference and will be on the alert for perceived government mismanagement of the program. **It is imperative that the media is communicated with clearly from the outset of the program.** They can play an important role in assisting with the roll out of the program and should be viewed as important partners in this development initiative.

Finally, it is imperative that the **program be adopted with full and long-term commitment in place**. Our review of other initiatives provides a clear indication that successful programs may require various government interventions during their development life cycle. Provincial governments that have showed determination on such product development efforts have been rewarded with successful Icon products that have had direct and substantial benefits on their tourism industries. Without intervention and long-term commitment, these projects would have met with failure.

summary

Tourism growth will continue well into the next century and the Yukon is ideally positioned to appeal to tomorrow's tourist who will seek adventure as well as educational and cultural experiences. However, the growing tourism market will be met with increased competition and the Yukon must be prepared to meet the increasingly sophisticated and demanding tastes of tomorrow's tourist.

The authors of this report strongly urge the government to adopt an aggressive approach to encourage the development of high-end destination product in the Yukon. This should be done through the facilitation and support of private sector development. The government must adopt policies with respect to the extent to which it is prepared to lend financial support to these development efforts. It should also identify and promote potential sites in order to assist in the development process. We have set the steps we would recommend and encourage the government to move forward immediately with this program.

The government should adopt contingency plans that will allow it to support development efforts that run into difficulties as there is a strong likelihood that these programs will need additional government support before they are successful. However this potential need should not cause the government to be wary of supporting the development of such projects. The ultimate success of these projects is important to the long-term success of the tourism industry in the Yukon. Government support is appropriate and should be provided.

appendix

author biographies

Biography of Participants

Rich Thompson, President, Parallel

Rich Thompson founded Strokes Design in 1987 and acted as President until co-founding Parallel in February 1992 through a merger with Titian Inc. Prior to the formation of Parallel, Rich had built the Strokes team into one of the top corporate design firms in Canada.

Since taking on the leadership of Parallel, Rich has expanded the scope of the company so that it is now Canada's largest publisher of corporate annual reports, one of the country's largest Canadian-owned advertising agencies and a leading integrated marketing services firm.

Rich has gained an enviable reputation for establishing exceptional working relationships with clients, and fostering a standard for excellence that has resulted in a highly energized, committed team of professionals.

He graduated in 1982 from the University of Toronto with a joint major in Mathematics and Statistics. In 1984 he graduated from the York University MBA program on the Dean's Honour Roll.

J Kent Stewart, MCIP, CMC
Director, Western Management Consultants

Kent Stewart has provided management consulting advice to clients from private sector, government and not-for-profit organizations in tourism for the past 20 years.

He has developed tourism strategic marketing plans for many provinces in Canada, as well as national organizations such as Parks Canada and the RCMP. He has conducted concept development, feasibility, and economic impact studies for a number of tourism mega-developments and attractions in Canada, and has been involved in large resort development engagements with the private sector. He has conducted many regional tourism generator studies, including northern regions.

Kent was instrumental in the formation and development of a number of the new partnership marketing models for the tourism industry, including the recent Northern Tourism Partnership in Canada. He has sat on the Boards and Advisory Committees of many tourism organizations including many years on the Board of the Travel and Tourism Research Association internationally.

Gordon Stewart, BFA, ANSCAD, BEnvD
President, D.M. Waves Inc.

Gordon is the senior principal in Terelle Management Inc. TMI is primarily involved in tourism marketing, product and development projects.

He has played a major role in the developing and implementation of the Check In Reservation & Information System, Canada's first destination area reservation system. He has worked as a member of the National Task Force on Tourism Data Systems; National Committee of Tourism GST Rebate, Tourism Technology Task Force and numerous advisory roles of National Tourism Policy.

He was the founding President of the Tourism Industry Association of Nova Scotia and is currently the Vice-Chairman of the Tourism Industry Association of Canada (TIAC). Gordon serves on wide variety of Boards and Commissions related to the tourism industry. He is currently finishing a long-term contract for the Atlantic Canada Agency (ACOA) to write policy, develop and implement structural changes to the operation and management of the tourism sector of Atlantic Canada.

Some of the most recent accomplishments are the design and negotiations of an $18,000,000 Tourism for Atlantic Canada; development of the Atlantic Canada Cruise Association, Golf Atlantic Canada, Heritage Inns of Atlantic Canada, Accommodations Grading Program for Atlantic Canada and a travel show – Atlantic Canada Showcase.

site review & recommendation

As part of the review process, the authors visited a number of potential development sites in the Yukon. The intent was not to select a specific site as the best candidate for development. Rather, the visits were intended to provide the authors with insight into the development potential of various regions within the Yukon in order to provide the authors with context for this report.

In this section of the appendix we provide a brief review of each of the sites visited along with a commentary regarding our thoughts on the development potential of each one. It should be noted that substantial study has been undertaken on these sites by the government and its consultants over a number of years. These studies provide important in-depth understanding of these regions from an economic development perspective. They are important reference materials and should be consulted as companion materials to this report.

Region One: Carcross/Southern Lakes

This beautiful region of the Yukon has substantial development potential with regard to the style of Icon tourism product referenced frequently in this report. Both Rose and Primrose lake offer exciting potential for lodge development in the pristine wilderness with superb access to the best of the Yukon's outdoor adventure activities. The West Arm of lake Bennett, while remote from an access point of view, offers a stunning setting for a true Icon development. One can easily imagine a majestic lodge being developed in this setting for those seeking views, quite solitude and access to the outdoor adventure product. Due to the remoteness of these areas, they are likely to require government assistance and encouragement if they are to be developed in any significant manner.

The Tagish and Marsh lake areas, while accessible and interesting, do not provide the same spectacular settings or quiet solitude that Rose, Primrose or the West Arm provide. These accessible areas are already being developed by private sector initiatives. The authors recommend that these accessible areas be left to normal private sector development initiatives.

Rose and Primrose Lakes

These spectacular lakes are accessible by helicopter or float plane from Whitehorse. There is currently no road access. Their attraction is in the remote and inaccessible location, the surrounding beauty, particularly in the case of Primrose lake and access to fishing, hiking, and other adventure activities. The government owns facilities in both locations with a grouping of cabins on Rose lake and a development on the shore of Primrose lake. The authors visited the cabins at Rose Lake and flew over the Primrose Lake area.

The Rose Lake cabins provide the opportunity for a developer to operate a world-class fishing and outdoor adventure retreat. With a more affluent and adventurous tourist in the coming years, this fly-in, remote destination has serious potential. The setting, while matched and exceeded by other regions in Canada and worldwide for scenic beauty, is unmatched by most destinations for its quite solitude and access to a variety of pristine wilderness activities.

The Primrose Lake area matches Rose Lake for access to activities and exceeds it in scenic beauty. This lake offers a second opportunity for development of a world-class wilderness retreat by may present a greater degree of development challenge and cost. The Primrose/Rose Lake area should be promoted as a single opportunity with the developer selecting the exact site on economic merit.

Development of these sites would directly impact the tourism environment in the Yukon by creating a remote wilderness product of world-class appeal and scale. It would feed people into local overnight stays in Whitehorse and would provide traffic for float plane and helicopter operators. Moreover, the appeal of this type of product would reach well beyond the number of visitors who could be accommodated, thereby supporting existing and future outdoor operators who offer products at a smaller scale.

The author's view is that despite the obvious transportation challenges of this area, that there is significant potential for development of a fly-in, world-class wilderness retreat. Government could lend some support to this initiative, however it should not be a primary initiative due to the fact that fly in product will be out of reach for a good number of Yukon visitors.

West Arm of Lake Bennett

If the authors challenge was to pick one location in the Yukon that is most ideally suited to the development of an Icon lodge product then the West Arm of Lake Bennett would be a front-runner. This beautiful location is rich in historical meaning, surrounded by superb adventure possibilities and provides the most picturesque setting that the authors encountered in our visits.

However it it accessible currently only by water. The government could consider infrastructure development to open up this area, just as the Alberta government did with Kananaskis. However, the government would also likely have to support the development of a product in this relatively remote area with substantial loan guarantees and incentives.

If an accommodation development was undertaken in this area with a view to create a stunning lodge development, there is no question that this development would become the kind of Icon for the Yukon that the Banff Springs or Chateau Lake Louise are to Alberta. Against the setting of the West Arm of Lake Bennett, such a product would offer photographic opportunities that would allow tourism marketing of the Yukon to reach new levels. On picture of such a product would leave no question that the Yukon was open for tourism business on a world class scale with facilities to match.

However the West Arm is not a place for small or medium sized dreams. It is an undertaking for YTG that would match the challenges faced by Alberta in Kananaskis or the B.C. government in Whistler. Substantial infrastructure funds would be required, and substantial support of private sector interests would surely follow. This is a place for bold initiatives and may be beyond the scope of consideration for YTG at this time.

The Southern Lakes Region has significant potential for the development of remote, hard to access, wilderness tourism product. It should be included as a major opportunity within the investment kits that are developed for this program. **Note:** Additional important information can be found in the *Carcross/Southern lakes Region Tourism Development Plan - December 1993 version.*

Region Two: Whitehorse Area

The authors visited one site in the Whitehorse area – the Takhini Hot Springs. For obvious reasons, this project is the subject of government study regarding its potential for further development. It is currently developed to a relatively low standard and is available for purchase.

The sites merits are clear. It is close to Whitehorse and accessible by road. The property is currently in private sector hands and has a substantial land area as well as natural hot springs which are already a tourist attraction. It is an ideal staging ground for adventure tourists heading west to Kluane. In fact, Takhini Hot Springs are located at the confluence of the two mos frequently visited regions in the Yukon – Whitehorse and the Kluane region.

The Takhini Hot Springs have been the subject of a review by David Connelly of Ile Royale Enterprises Ltd and much work has been done to assess the development potential of this product, so we will not repeat that analysis here.

However we do provide a top level analysis of this site from a tourism development perspective.

Hot Springs have been well developed in some areas of the world and poorly in others. There is no question that they have been and continue to be a tourist draw. Given the location of the Yukon, it is unlikely that people will travel specifically to experience the Takhini Hot Springs, no matter how well they are developed. Other world-class hot springs are available in areas that are easier to access.

However, if Takhini were developed as a world-class staging ground for adventure product in the Yukon, its Hot Springs and surrounding land area would be of great appeal to visitors. The development could include a variety of approaches - from hotel/lodge accommodation to high end RV facilities which will be increasingly in demand in the Yukon. It also offers the opportunity for the development of first class meeting and convention facilities within the Yukon - facilities that will be relied upon to help develop shoulder and winter season traffic in the Yukon in the coming years. Again, the potential for this site is covered in other studies, so we won't develop these themes further here.

The Takhini area should be of substantial interest to the right investor. It's accessibility, land base, proximity to Whitehorse and other activities, and existing hot springs make it the most obvious investment opportunity for substantial new tourism product in the Yukon. Its location and the possibility to establish it as a staging ground for adventure tourism operators, further enhance its attractiveness.

However, with all of its upside potential, the Takhini project also presents YTG with substantial downside risk.

In order to ensure this project is developed at the level necessary to enhance the overall Yukon tourism product, it is likely that substantial government support and incentive would be required. This will set he government up to complaints of creating a non-level playing field. In its early years, the successful Takhini project would likely draw visitors away from existing Whitehorse operators who currently play the staging role for adventure tourism product. They are unlikely to assess the long term benefits associated with such an undertaking and will likely complain bitterly about the impact of a government supported operation on their businesses. The government might wish to co-opt these operators into a comprehensive business development plan and provide some support to operators who are impacted by the new development during the incubation period.

Clearly the ideal situation would be for the government to attract and facilitate the development of this project without substantial financial commitment or support. It is the authors view that to ensure the development of the appropriate product, government support will be required even if it not requested initially. Therefore the government should consider its response to the impact on other Whitehorse and area operators in advance.

The Takhini Hot Springs must be identified as a primary development opportunity as a component of this program. Efforts being undertaken to promote the development of this project should be continued.

Note: See also Recent Economic Development sponsored study by David Connelly of Ile Royale Enterprises - *Leveraging Takhini hot Springs into a Major Private Sector Investment In a Destination Tourism Resort and Meeting Centre.*

Region Three: Silver Trail

The authors visited the Silver Trail Region and specifically visited the abandoned mines in the Keno area to determine if an historical tourism development opportunity existed in this area. The area is reasonably remote and is accessible via secondary roads. it is a unique area that provides a mix of historical sightseeing and wilderness product.

The author's view is that this area does not offer substantial opportunity for development of Icon tourism destination product. It is likely to be a side trip as opposed to a destination. Other areas of the Yukon offer more spectacular scenery. While the mining history of the area is interesting, the development of an interpretive centre using one of the abandoned mines would cost substantially more than could be expected to be gained through increased tourism in the area.

The author's were unanimous in their view that, despite its obvious historical appeal, this area must be considered a secondary development prospect. **Note:** See also the *Silver Trail Region Tourism Plan* - March 1998.

A Note of Caution

As noted, the authors did not conduct a thorough review of potential development sites in the Yukon. There may exist sites of high potential in the Dawson area or in the Kluane region. Other significant opportunities might exist in regions not considered. As part of the development of the investment package, every effort should be made to solicit qualified ideas on other potential development sites. A listing of all proposed sites, complete with synopsis, should be made available to all potential investors in order to allow private sector minds and experience to work with all the information available. No site should be automatically disqualified from consideration.

Having said this, the regions involved in the review indicate there are a good number of sites that offer a variety of solid investment opportunities for those inclined to invest in Yukon product. The authors are confident that the right approach will deliver qualified investors, who, with proper YTG support, will develop product that assists in the development of the Yukon tourism industry over the long term.